

# **Interactive Services : The Road from Here**

**Presented by:  
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America Online Services Co.**

# **Conventional Wisdom**

- **Internet will drive commercial services out of business**
- **Content is and will remain King**
- **Consumers are flocking to the Internet**
- **Advertisers will follow consumers**
- **Consumers will pay for ala carte services**
- **Commercial services don't "get it" and are closed and proprietary**
- **Everyone will make money on the Web**
- **Presumption of victory to Microsoft and Netscape**

# TIME MARCHES ON...

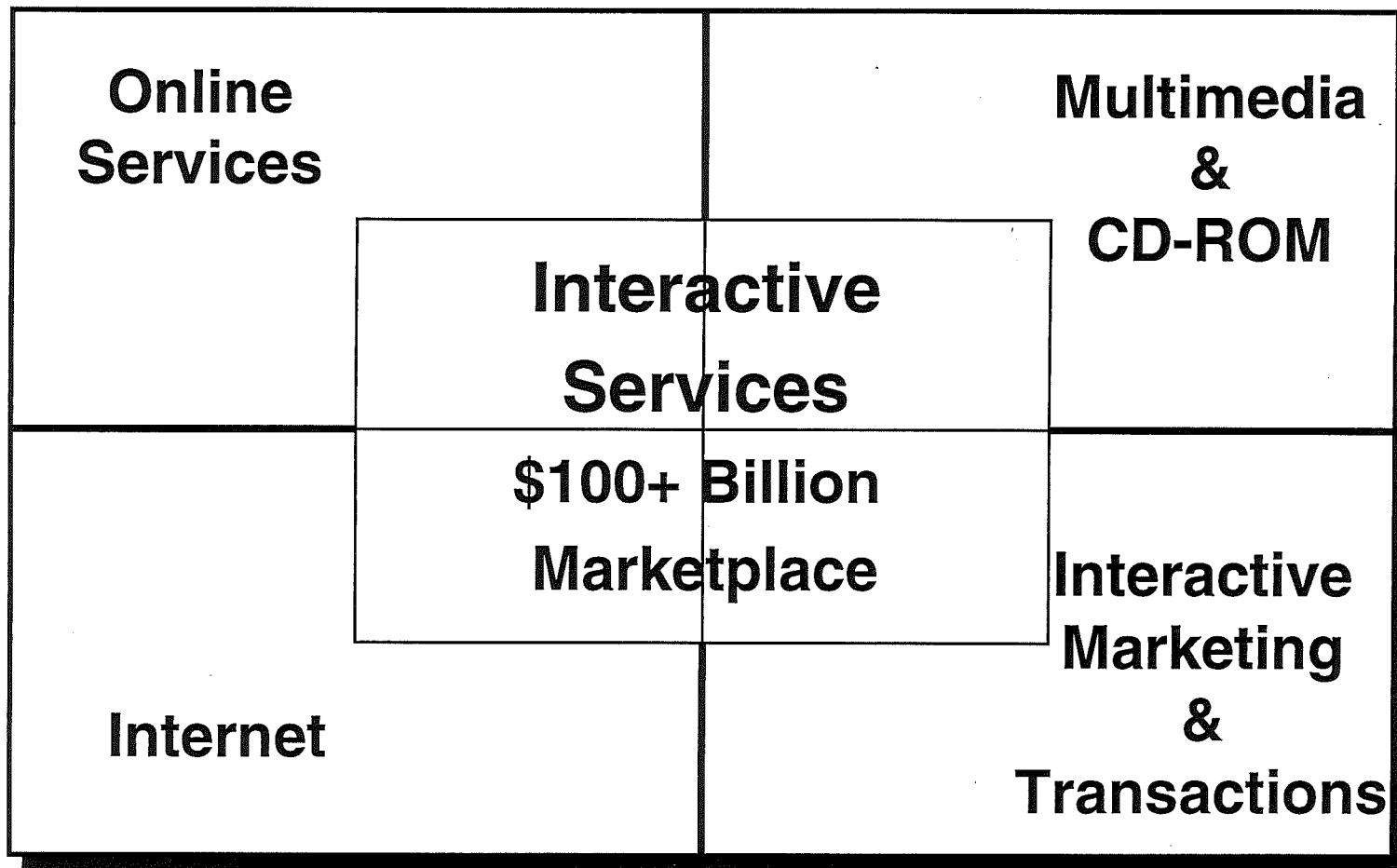
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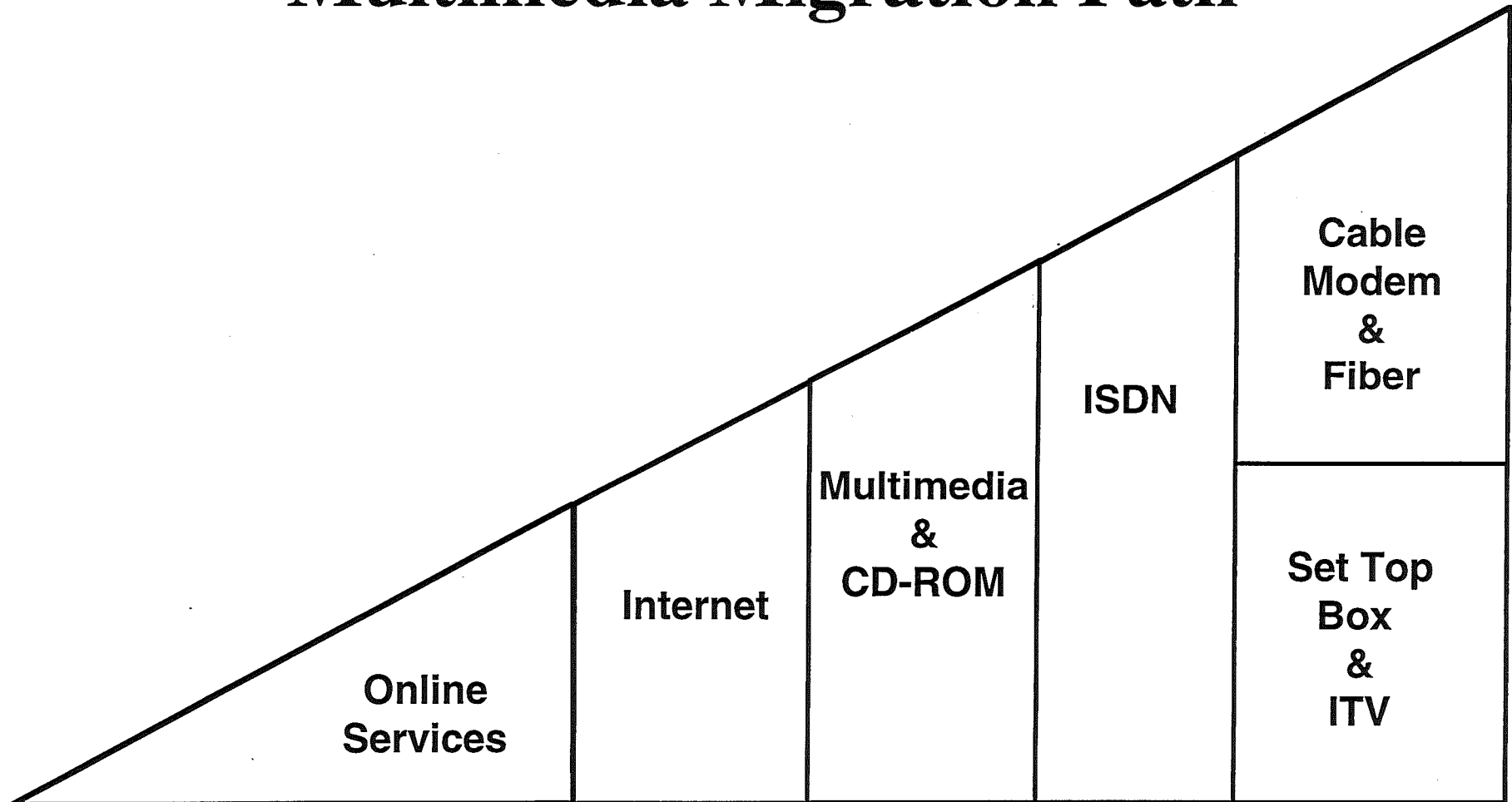
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- 100 years ago → Telephone (personalized communications)
- 50 years ago → TV (mass media)
- 25 years ago → Special interests (cable & magazines)
- Now → Personalized, interactive, participatory

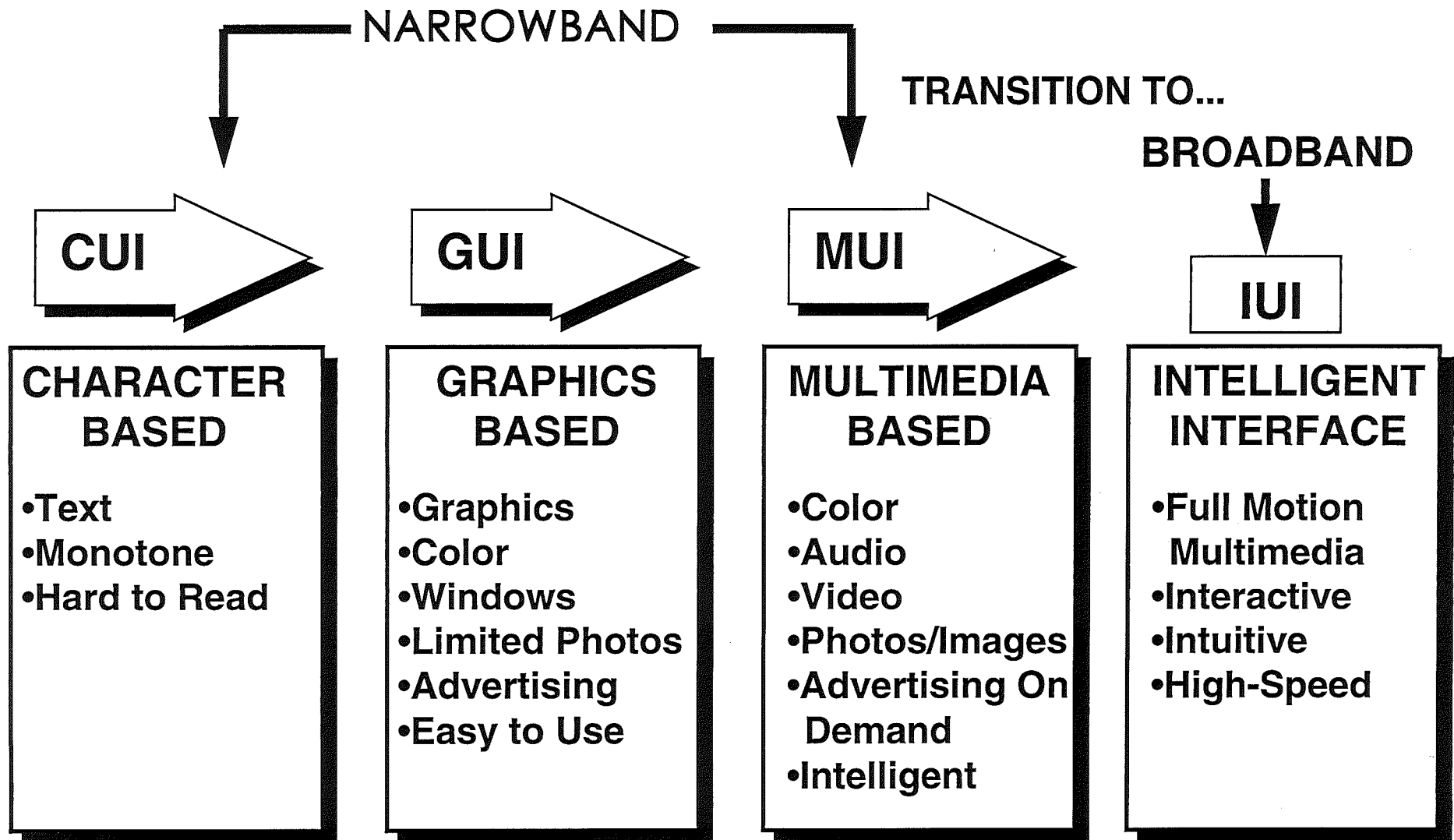
# The Opportunity



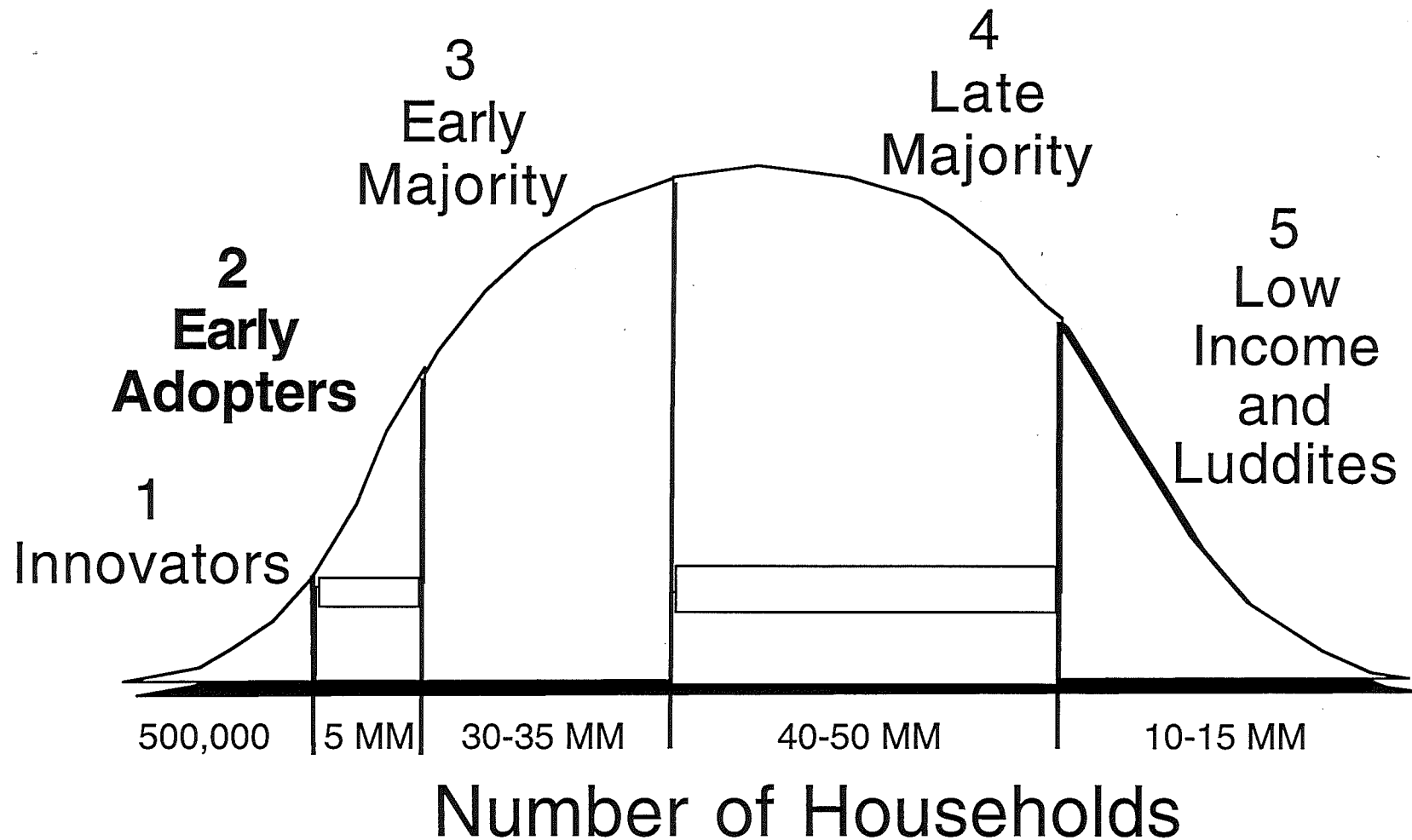
# Multimedia Migration Path



# Evolution of the User Experience

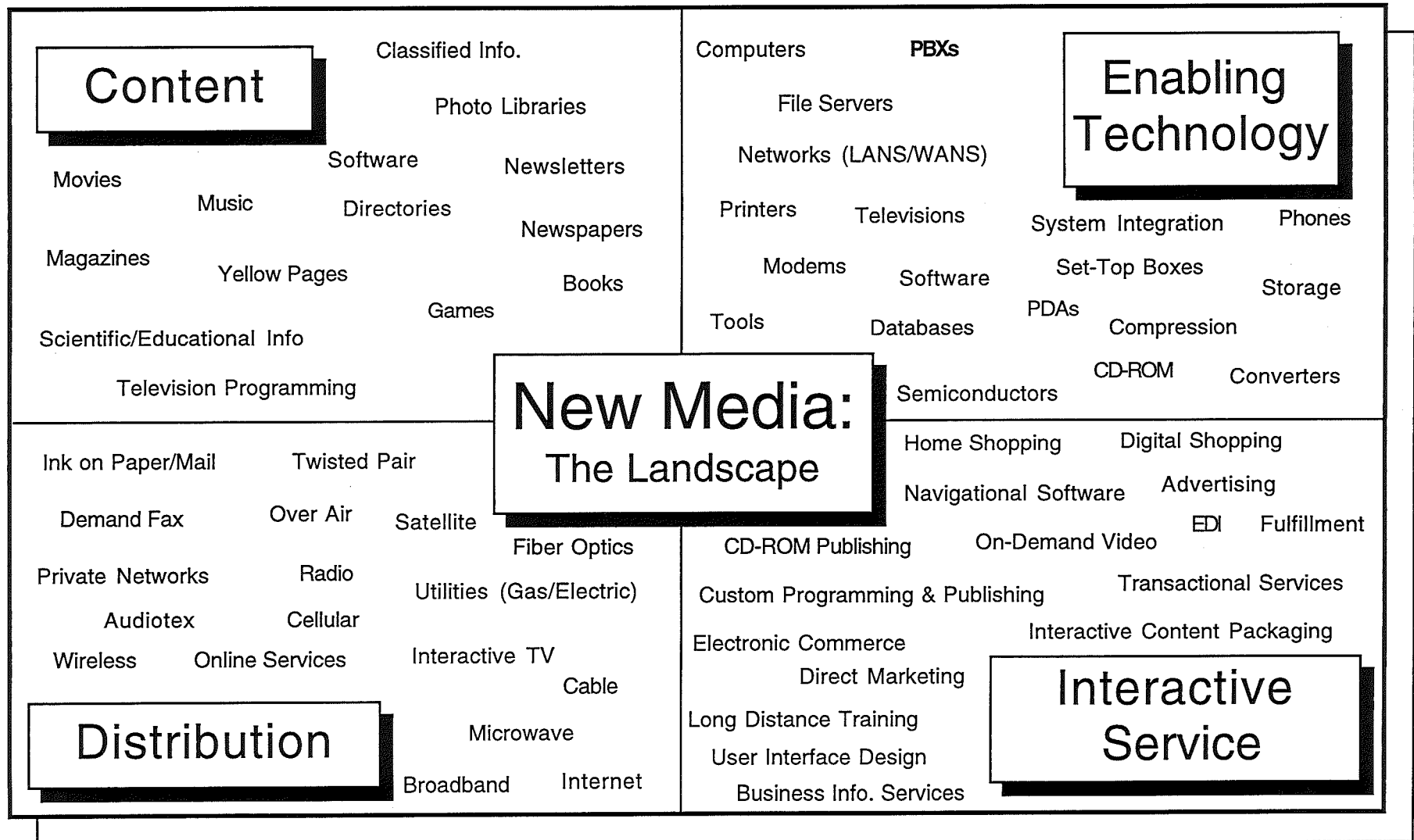


# Five Stages of the Consumer Market



Source: Decision Resources

# New Media: The Landscape





# **New Media Channels**

- **Content that is programmed - no aggregation**
- **Community (email, events, chat message boards)**
- **Commerce (interactive marketing /transactions)**
- **Context (personalization / navigation)**
- **Companion CD-Rom's and Web sites**

# **Factoids**

- **Online Services market in 1994: \$800 million**
- **\$2 billion by 1997**
- **PC's in a third of all US homes**
- **50% of PC's now have modems**
- **30% of PC's outfitted with CD-ROM**
- **More PC's shipping into homes than television**

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An update

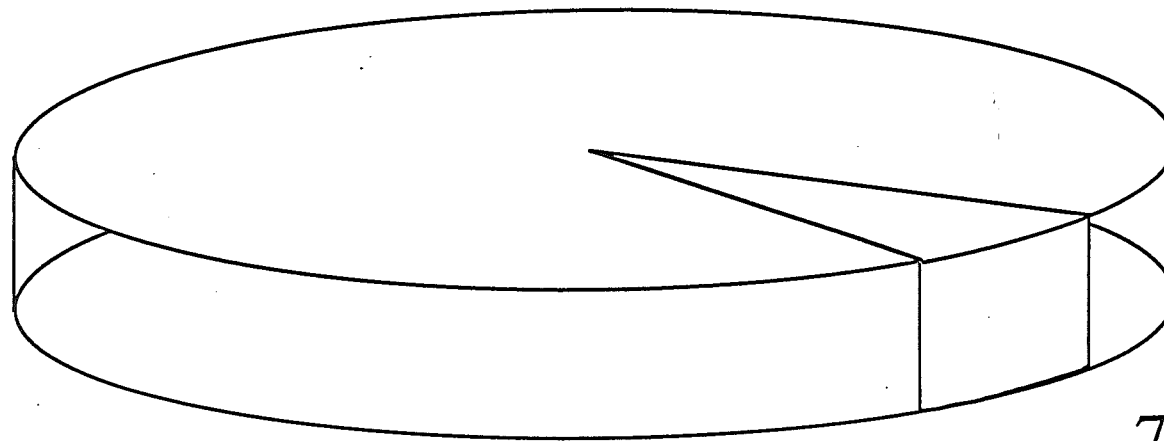
- **From less than 1 million members to more than 3.5 million members**
- **Q4 revenues will be more than three times those of prior year**
- **From \$100 million revenues, to more than \$370 million**
- **Approaching \$1 billion in revenues in fiscal 1996**
- **From 350 employees to more than 2,500**

# WHO IS USING ONLINE SERVICES?

Men	79%	Women	21%
	AOL	USA	
Married	63%	72%	
Income:			
\$50-100,000	56%	25%	
Under \$25,000	8%	41%	
Age:			
18-34	37%	41%	
35-44	34%	22%	
Home ownership	71%	64%	
Degree(s)	65%	20%	

# FOCUS IS ON 93% OF HH'S NOT USING ONLINE SERVICES

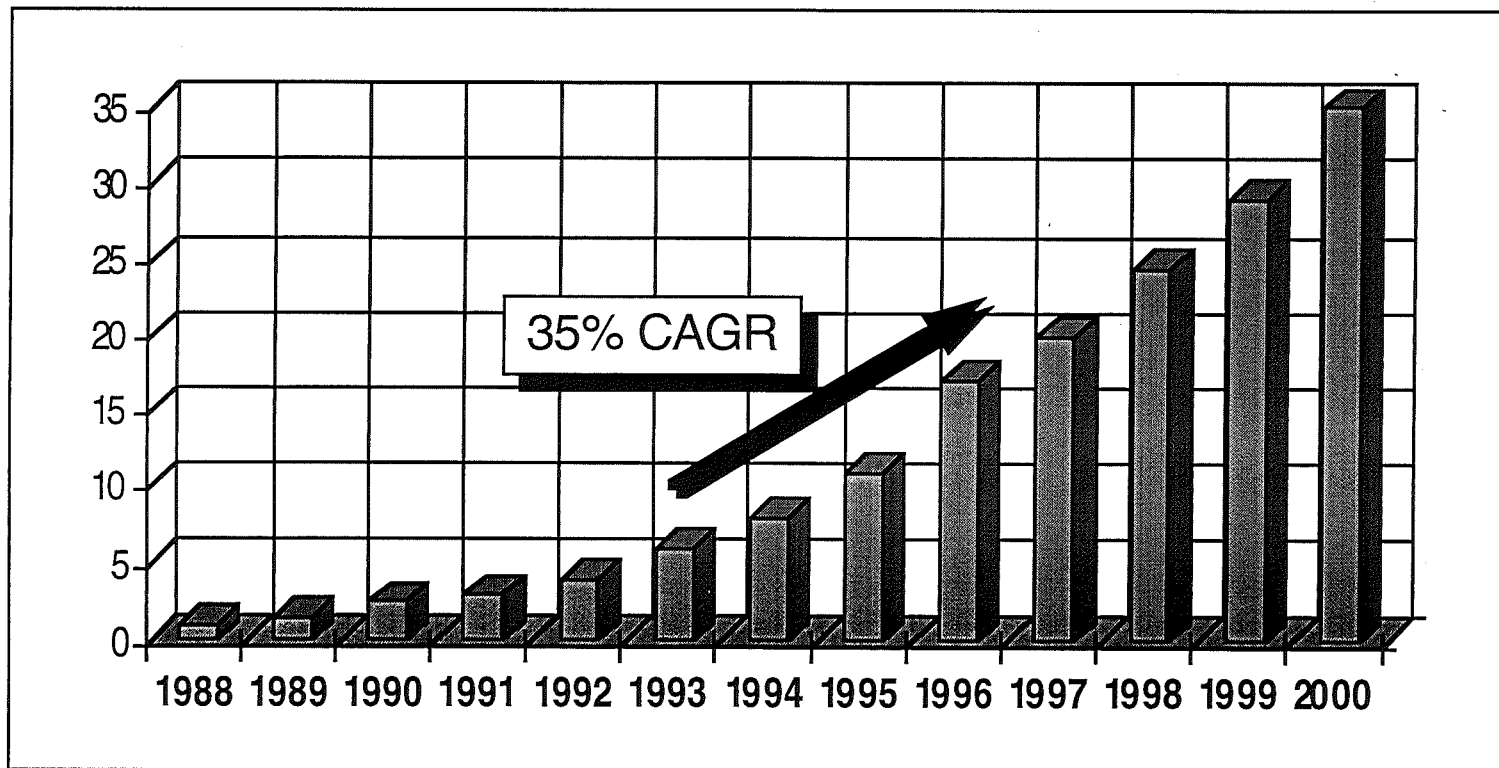
*Significant Growth Lies Ahead*



7% with Online Services

CAGR of:	Online Services	Home Video	Daily Newspapers	Magazines	Video Games	Home Shopping
1985-94	29%	16%	3%	5%	14%	50%

# Consumer Online Service Subscribers Growth



Source: Montgomery Securities

# **The Interactive Multimedia Opportunity**

- **14 million+ CD-ROM drives in the US**
- **Installed base growing over 50% per year**
- **5000+ commercial CD-ROM titles and growing**
- **8% of US homes have multimedia PC**
- **Increased consumer interest in electronic access**

## **CD-ROM vs. Online**

<b>Characteristic</b>	<b>CD-ROM</b>	<b>Online</b>
<b>Multimedia Access</b>	<b>Real-Time</b>	<b>Downloaded</b>
<b>Database Type</b>	<b>Multimedia</b>	<b>Text</b>
<b>Search &amp; Retrieval</b>	<b>Faster</b>	<b>Slower</b>
<b>Content Updates</b>	<b>No</b>	<b>Yes</b>
<b>Remote Data</b>	<b>No</b>	<b>Yes</b>
<b>E-Mail &amp; Chat</b>	<b>No</b>	<b>Yes</b>
<b>Transactions</b>	<b>Mail, Phone or Fax</b>	<b>Automatic via Modem</b>



# **CD-ROM with an Online Interface**

<b>Characteristic</b>	<b>Integrated CD-ROM to Online</b>
<b>Multimedia Access</b>	<b>Real-Time Multimedia</b>
<b>Database Type</b>	<b>Multiple Data Types</b>
<b>Search &amp; Retrieval</b>	<b>Fast Database Access</b>
<b>Content Updates</b>	<b>Timely, Current Updates</b>
<b>Remote Data</b>	<b>Access to Remote Data</b>
<b>E-Mail &amp; Chat</b>	<b>Personal Communications</b>
<b>Transactions</b>	<b>Transaction Options</b>

# Characteristics of Traditional vs. New Media, and What it Means

## Traditional Media

- One-way communications
- Static/one-dimensional
- Broadcast
- Unaccountable
- Mass
- Feels good
- Hit-and-run messaging
- Nearing end of life cycle

## New Media

- Two-way communications
- Interactive/multimedia
- Targeted/narrowcast
- Accountable
- Personal/granular
- Focuses on a transaction
- Builds ongoing relationship
- Is alive and well

# **What Interactive Consumers Want on the Net**

- **No surcharges / no premium pricing**
- **More personalization**
- **More depth of content**
- **Cooler Stuff**
- **New areas of niche content**
- **More graphics**
- **Faster access to services**
- **and multimedia**
- **Fresher information**
- **Better communications tools and directories**
- **More experts and celebrities online**
- **Shopping / transaction services**
- **Quality services (billing, support)**
- **Information / not promotion or advertising**
- **Privacy**

# **The New Technology Consumer**

- **Mostly male; increase in female members predicted in next two years**
- **Desirable demographics: 24-46 years old; 2 wage earner households**
- **75K+ household incomes**
- **Early adapters moving toward mainstream consumer**
- **Likes to get things done fast**
- **Wants to time shift / exhibits on-demand tendencies**
- **Active (fingertips) vs. passive (eyeballs) consumer**
- **Uses a computer at work and at home / 3.2 hours a day**
- **Short attention span**
- **Will read, but wants multimedia**
- **High expectations of the medium**
- **Wants to belong to a community**
- **Wants privacy**

# THE INTERNET OPPORTUNITY — RAISING THE BAR

DIFFERENTIATION	VALUE-ADDED	OEM BUNDLING	CROSS MARKETING TO AOL	WEB PRESENTATION	GNN AS A BRAND
		CONTENT	CONTEXT	COMMUNITY	TECHNOLOGY
BASIC INTERNET ACCESS	OPEN STANDARDS	BROWSER	NETWORK	SUPPORT	SERVICES
		TCP	HTML	SHTTP	

# Introducing the GNN Brand

- Best of breed Internet consumer service
- Integrates the following capabilities / services of America Online under the Global Network Navigator banner:
  - AOLnet foot print of high speed pops
  - Booklink Web Browser and related software
  - Navisoft personal publishing tools
  - Directory services created by Redgate
  - GNN editorial front end and Web navigation
  - AOL Internet technical services infrastructure
- A La Carte pricing and integrated digital marketing programs
- To be introduced in October of 1995

# GNN Positioning

<p><b>National Web Access Providers</b></p> <ul style="list-style-type: none"> <li>• AOL</li> <li>• CompuServe</li> <li>• PSI</li> <li>• NETCOM</li> <li>• Prodigy</li> <li>• MSN</li> </ul>	<p><b>Consumer Distributor / Packager for the Web</b></p> <ul style="list-style-type: none"> <li>• GNN</li> </ul>		
<p><b>Local Access Providers</b></p> <ul style="list-style-type: none"> <li>• RBOC's</li> <li>• Cable MSO's</li> <li>• Regional players</li> </ul>	<p><u>Software</u></p> <p>Netscape Spry</p>	<p><u>Servers</u></p> <p>NETCOM Sun Netscape</p>	<p><b>Information Providers as Web Front Ends</b></p> <ul style="list-style-type: none"> <li>• Pathfinder</li> <li>• Hot Wired</li> <li>• USA Today</li> </ul>
	<p><u>Directories</u></p> <p>Yahoo Redgate Ziff</p>	<p><u>Services</u></p> <p>ACG Proxima WAIS</p>	

# Compare and Contrast...

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## America Online

- It's about consumers...
- It's about consumers...
- It's about lower bandwidths..
- It's about one price billed to consumer...
- It's about programming...
- It's about non-intrusive marketing and New Media life forms
- It's about community...
- It's about prime time...

## The Web

- It's about enterprises...
- It's about IP's...
- It's about corporate high speed networks...
- It's about pay per view ala carte pricing...
- It's about "hunter gatherers"...
- It's about advertising...

It's about going "place to place"...

- It's about day time...



# Compare and Contrast...

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## America Online

- It's more and more about families and women...
- It's about packaging...
- It's about unification/simplification...
- It's about community more than content...
- It's about open, but organized...
- It's about the next mass market...

## The Web

- It's mostly about men...
- It's about Netscape "Roll Your Own"...
- It's about Netscape disintermediation...
- It's about HTML documents...
- It's about open, but chaotic...
- It's about niches, and vertical markets

# Compare and Contrast...

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## America Online

- It's about creating a new mass medium...
- It's here now
- It's about kicking Microsoft's butt

## The Web

- It's about enabling individuals to communicate
- It's here now
- It's about kicking Microsoft's butt

# The Present Day Web Business Model

Enterprises pay for  
access; consumers  
don't

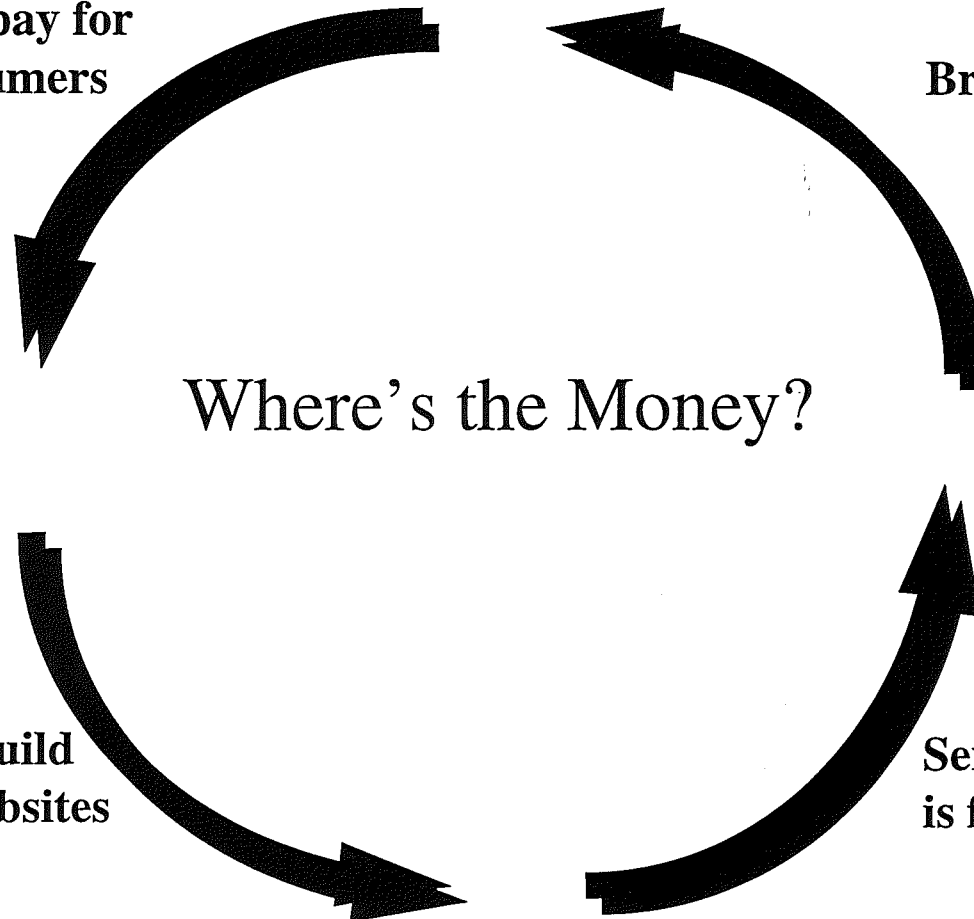
Browser is free

Where's the Money?

Advertisers build  
their own Websites

Server software  
is free

IP Web site is free



# **So Where's the Money to be Made?**

## **Invest In...**

- **New Media programmers**
- **Transaction based companies**
- **Security based companies**
- **Service providers to IP's**
- **Server technology companies**
- **Vertical market network providers**

## **Run Away From...**

- **Access providers**
- **Browser software companies**
- **Local service on ramps**
- **Consumer based network suppliers starting from scratch**